

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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In Reply To:

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Instruction Memorandum No. MT-2007-025

Expires: 9/30/08

To: Field Managers

From: State Director

Subject: Action Plan for Oil and Gas Bond Adequacy Reviews

Program Area: Federal Oil and Gas Operations and Bonding

Purpose: To establish an action plan that reiterates regulatory and policy bonding requirements for Federal oil and gas operations. This Instruction Memorandum (IM) only applies to the Miles City Field Office, North Dakota Field Office, and the Great Falls Field Station.

Policy/Action: Washington Office (WO) IM No. 2006-206 requires that each State Office administering an oil and gas program establish an action plan with a goal that operators on Federal oil and gas leases are reviewed for risk assessment and bond adequacy. Offices are instructed to implement the Oil and Gas Bond Adequacy Review Action Plan for Montana and the Dakotas (Attachment 1). As is stated in the plan, bond adequacy reviews should be performed when any of the following occur:

1. The record title is assigned.
2. Operating rights are transferred.
3. A notification of change of operator.
4. The AO performs an Idle/Inactive well liability review.
5. The AO determines that the operator poses a risk (for example, operator compliance history, current level of plugging and surface reclamation liabilities, etc.).
6. An operator requests that a bond be released.
7. When the AO periodically reviews operating leases.

Special emphasis should be placed on reviewing wells that have been idle for longer than 5 years; especially those that are not within secondary recovery units. Wells that have been idle for longer than 5 years are specifically identified in the Idle Well Progress Report (WRT.12) generated in the Automated Minerals Support System (AFMSS) and are in turn specifically identified in the Idle Well Progress Report submitted to the WO in accordance with WO IM No. 2001-147. Wells that remain idle for longer than 5 years tend to pose a greater risk of becoming orphaned. Therefore, review of these wells should receive increased attention.

Emphasis should also be placed on ensuring timely and proper surface reclamation of plugged and abandoned wells. This allows for timely bond review when an operator requests that a bond be released, as well as fulfilling an important goal of the oil and gas program.

Timeframe: The action plan is to be implemented immediately.

Budget Impact: The budget impact is anticipated to be minimal since oil and gas bond reviews are not new and have been ongoing for many years. Adequate base funding is provided to continue the bond review program.

Background: WO IM No. 2006-206 provides background information applicable to this IM. The Montana/Dakotas organization has taken an active role in reviewing bond adequacy and idle wells for many years.

Manual/Handbook Sections Affected: Handbooks 3104-1 and 3106-1

Coordination: BLM Washington and Montana State Office staff

Contact: Please direct any questions to Will Lambert at (406) 896-5328.

Signed by: Sandra C. Berain, Acting

Authenticated by: Kathy Ray (MT922)

1 Attachment

[1-Oil and Gas Bond Adequacy Review Action Plan \(14 pp in its entirety\)](#)

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